Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock code : 179)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST MARCH 2007

HIGHLIGHTS

- Total sales were US$2,087 million - an increase of 37% compared to the 2006 financial year
- Operating profit after restructuring charges and provisions was US$164 million, an increase of 35%
- Net earnings attributable to shareholders increased by 17% to US$110 million or 2.99 US cents per share
- The Board has recommended a final dividend of 1.09 US cents per share, which together with the interim dividend of 0.58 US cents per share, represents a total dividend of 1.67 US cents per share

The Directors announce that the audited consolidated profit attributable to equity holders for the year ended 31st March 2007 was US$109,696,000, an increase of 17% over the corresponding year in 2006.

FINANCIAL RESULTS

The audited consolidated profit and loss account for the year ended 31st March 2007 together with comparative figures for the corresponding year in 2006 is set out below:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	**2007**	2006
		US$'000	US$'000
Sales	2	**2,086,628**	1,526,328
Cost of goods sold		**(1,574,401)**	(1,149,235)
Gross profit		**512,227**	377,093
Other income and gains		**12,157**	13,155
Selling and administrative expenses		**(347,994)**	(251,529)
Restructuring provisions	3	**(12,245)**	(17,248)
Operating profit	4	**164,145**	121,471
Finance costs		**(27,908)**	(7,618)
Share of (losses) / profits of jointly controlled entities / associated companies		**(302)**	2,398
Profit before income tax		**135,935**	116,251
Income tax expenses	5	**(22,932)**	(21,884)
Profit for the year		**113,003**	94,367
Attributable to:			
Equity holders of the Company		**109,696**	93,990
Minority interests		**3,307**	377
		113,003	94,367
Dividends	6	**61,230**	61,230
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US cents per share)			
Basic	7	**2.99**	2.56
Diluted	7	**2.99**	2.56

CONDENSED CONSOLIDATED BALANCE SHEET
As at 31st March 2007

	Note	**2007**	2006
		US$'000	US$'000
Property, plant and equipment		**390,019**	378,543
Investment properties		**24,208**	17,202
Leasehold land and land use rights		**24,805**	25,355
Intangibles		**667,154**	631,592
Other non-current assets		**42,553**	56,873
Current assets			
Stocks and work in progress		**251,170**	233,379
Trade and other receivables	8	**458,859**	418,177
Derivative financial instruments		**9,463**	7,989
Other financial assets at fair value through profit or loss		**995**	2,707
Income tax recoverable		**1,817**	3,716
Bank balances and cash		**149,282**	238,510
		871,586	904,478
Current liabilities			
Trade and other payables	9	**298,055**	275,080
Current income tax liabilities		**14,204**	18,349
Derivative financial instruments		**698**	579
Borrowings		**20,615**	184,920
Provisions and other liabilities		**25,539**	25,150
		359,111	504,078
NET CURRENT ASSETS		**512,475**	400,400
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,661,214**	1,509,965
Non-current liabilities			
Borrowings		**552,900**	523,193
Derivative financial instruments		**19,272**	-
Deferred income tax liabilities		**87,535**	88,069
Provisions and other liabilities		**38,117**	42,899
		697,824	654,161
NET ASSETS		**963,390**	855,804
EQUITY			
Share capital		**82,062**	81,412
Reserves		**818,568**	724,093
Proposed dividends		**40,035**	40,035
		940,665	845,540
Minority interests		**22,725**	10,264
TOTAL EQUITY		**963,390**	855,804

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
For the year ended 31st March 2007

	2007	2006
	US$'000	US$'000
Gain on revaluation of property, plant and equipment transfer to investment properties	**4,662**	2,368
Deferred income tax effect on gain on revaluation of property, plant and equipment transfer to investment properties	**(816)**	(414)
Fair value gains/(losses) on available-for-sale financial assets	**521**	(627)
Fair value (losses)/gains on hedging instruments	**(2,273)**	6,724
Deferred income tax effect on fair value (losses)/gains on hedging instruments	**398**	(1,177)
Actuarial gains of defined benefit plan	**1,798**	5,777
Deferred income tax effect on actuarial gains of defined benefit plan	**(950)**	(1,058)
Adjustment arising on translation of foreign subsidiaries and associated companies	**40,799**	(7,359)
Net income recognised directly in equity	**44,139**	4,234
Profit for the year	**113,003**	94,367
Total recognised income for the year	**157,142**	98,601

Note:

1. Principal accounting policies

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

In 2006/07, the Group adopted the new / revised standards and interpretations of HKFRS below, which are relevant to its operations. The comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 and HKFRS 4 (Amendment)	Financial guarantee contracts
HK(IFRIC)-Int 4	Determining whether an arrangement contains a lease

The adoption of new / revised HKASs, HKAS 21 (Amendment), HKAS 39 and HKFRS 4 (Amendment) and HK(IFRIC)-Int 4, did not result in substantial changes to the Group's accounting policies. In summary:

- Amendment to HKAS 21 requires exchange differences arising on a monetary item that forms part of an entity's net investment in a foreign operation to be initially recognised in equity in the entity's consolidated financial statements. This is consistent with the current accounting treatment of the Group, thus the management considered that there is no significant impact.

- The Group adopted HKFRS 4 - Insurance Contracts to account for its financial guarantee contracts, the adoption had no material effect on the Group's accounting policies.

- HK(IFRIC)-Int 4 had no material effect on the Group's accounting policies.

2. Segment information

(a) Primary reporting format - business segments

Turnover of the Group consists of sales of goods.

The principal operations of the Group are the manufacture, sale, and trading of motors, electromechanical components, motion systems and sub-systems, and materials. The Group has changed the primary reporting segments to align with its internal reporting structure. The manufacturing segment comprised automotive products group (APG), industry products group (IPG) and other products manufactured by the Group. The trading segment is principally engaged in trading of goods not manufactured by the Group.

The segment results for the year ended 31st March are as follows:

	Manufacturing 2007 US$'000	Trading 2007 US$'000	Group 2007 US$'000
Sales	1,989,907	96,721	**2,086,628**
Operating profit	161,700	2,445	**164,145**
Finance costs	(27,906)	(2)	**(27,908)**
Share of losses of jointly controlled entities and associated companies	(302)	-	**(302)**
Profit before income tax	133,492	2,443	**135,935**
Income tax expenses	(22,143)	(789)	**(22,932)**
Profit for the year	111,349	1,654	**113,003**
Total assets			
Segment assets	1,948,076	37,150	**1,985,226**
Associated companies	2,364	-	**2,364**
Deferred income tax assets and income tax recoverable	32,735	-	**32,735**
	1,983,175	37,150	**2,020,325**
Total liabilities			
Segment liabilities	940,104	15,092	**955,196**
Deferred income tax liabilities and income tax payable	101,202	537	**101,739**
	1,041,306	15,629	**1,056,935**
Other information			
Restructuring provisions	12,245	-	**12,245**
Capital expenditure	76,189	594	**76,783**
Addition of property, plant and equipment from the acquisition of subsidiaries	10,029	-	**10,029**
Depreciation on property, plant and equipment	70,706	118	**70,824**
Amortisation charge on leasehold land and land use rights	689	-	**689**
Amortisation charge on intangibles	17,105	92	**17,197**

	Manufacturing 2006 US$'000	Trading 2006 US$'000	Group 2006 US$'000
Sales	1,460,574	65,754	1,526,328
Operating profit/(loss)	122,998	(1,527)	121,471
Finance costs	(7,616)	(2)	(7,618)
Share of profits of jointly controlled entities and associated companies	2,398	-	2,398
Profit before income tax	117,780	(1,529)	116,251
Income tax expenses	(21,618)	(266)	(21,884)
Profit for the year	96,162	(1,795)	94,367
Total assets			
Segment assets	1,929,082	29,818	1,958,900
Jointly controlled entities	16,494	-	16,494
Associated companies	2,271	-	2,271
Deferred income tax assets and income tax recoverable	36,273	105	36,378
	1,984,120	29,923	2,014,043
Total liabilities			
Segment liabilities	1,038,859	12,962	1,051,821
Deferred income tax liabilities and income tax payable	106,499	(81)	106,418
	1,145,358	12,881	1,158,239
Other information			
Restructuring provisions	17,248	-	17,248
Capital expenditure	65,577	86	65,663
Addition of property, plant and equipment from the acquisition of subsidiaries	143,425	-	143,425
Depreciation on property, plant and equipment	55,588	62	55,650
Amortisation charge on leasehold land and land use rights	318	-	318
Amortisation charge on intangibles	7,828	-	7,828

(b) Secondary reporting format - geographical segments

In presenting information on the basis of geographical segments, sales are attributed to the region from which the customer order originated. Segment assets and capital expenditure are based on the location of the assets.

	Sales		Capital expenditure		Segment assets	
	2007	2006	**2007**	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Asia	**686,181**	510,969	**54,206**	47,307	**728,358**	766,790
America	**504,685**	396,181	**3,851**	4,208	**229,174**	243,411
Europe	**895,762**	619,178	**18,726**	14,148	**1,027,694**	948,699
	2,086,628	1,526,328	**76,783**	65,663	**1,985,226**	1,958,900

3. Restructuring provisions

Restructuring provisions are related to closure of certain plants in Europe, US and China. The costs incurred during the year represent mainly asset write-offs, severance payments and provisions for other shutdown costs.

	2007	2006
	US$'000	US$'000
Asset write-offs (including provision for impairment)	**1,004**	3,154
Other costs	**11,241**	14,094
Total provision	**12,245**	17,248

4. Depreciation and amortisation

During the year, depreciation of US$70,325,000 (2006 : US$54,394,000) in respect of property, plant and equipment, amortisation of US$689,000 (2006: US$318,000) in respect of leasehold land and land use rights and amortisation of US$17,197,000 (2006: US$7,828,000) in respect of intangibles were charged in the profit and loss account.

5. Income tax expenses

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Overseas tax has been provided at the applicable rates on the estimated assessable profit in respective countries of operations for the year.

	2007	2006
	US$'000	US$'000
Current taxation		
Hong Kong profits tax	**(9,715)**	(6,070)
Overseas taxation	**(22,210)**	(19,554)
Over / (under) provisions in prior years	**4,919**	(2,656)
	(27,006)	(28,280)
Deferred income tax	**4,074**	6,396
	(22,932)	(21,884)

6. Dividends

	2007	2006
	US$'000	US$'000
Interim, paid, of 0.58 US cents per share (2006 : 0.58 US cents)	**21,195**	21,195
Final, proposed, of 1.09 US cents per share (2006 : 1.09 US cents)	**40,035**	40,035
	61,230	61,230

7. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Profit attributable to equity holders of the Company (thousands US dollar)	**109,696**	93,990
Weighted average number of ordinary shares in issue (thousands)	**3,671,883**	3,672,599
Basic earnings per share (US cents per share)	**2.99**	2.56

The Company has share options that could dilute basic earnings per share in the future. Diluted earnings per share equals basic earnings per share because there were no potential dilutive ordinary shares outstanding during the year ended 31st March 2007.

8. Trade and other receivables

The trade and other receivables include trade receivables of US$408,178,000 (2006: US$375,558,000). The Group normally grants credit terms ranging from 30 to 90 days to its trade customers. The ageing analysis of trade receivables based on invoice date was as follows:

	0-60 days	61-90 days	Over 90 days	Total
	US$'000	US$'000	US$'000	US$'000
Balance at 31st March 2007	**326,703**	**35,693**	**45,782**	**408,178**
Balance at 31st March 2006	284,475	41,226	49,857	375,558

9. Trade and other payables

The trade and other payables include trade payables of US$182,976,000 (2006 : US$194,925,000). The ageing analysis of trade payables based on invoice date was as follows:

	0-60 days US$'000	61-90 days US$'000	Over 90 days US$'000	Total US$'000
Balance at 31st March 2007	**148,275**	**11,454**	**23,247**	**182,976**
Balance at 31st March 2006	151,055	15,652	28,218	194,925

10. Commitments

10.1 Capital Commitments

	2007 US$'000	2006 US$'000
Capital commitment for property, plant and equipment		
Authorised but not contracted for	**3,935**	2,415
Contracted but not provided for	**7,600**	12,375
	11,535	14,790
Investment in:		
Subsidiary, contracted but not provided for	**-**	4,045
Jointly controlled entity, contracted but not provided for	**-**	4,859
	-	8,904

10.2 Operating Lease Commitments

(i) At 31st March 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2007		2006	
	Land and buildings US$'000	**Others US$'000**	Land and buildings US$'000	Others US$'000
Not later than one year	**14,088**	**1,197**	12,620	1,525
Later than one year and not later than five years	**34,547**	**1,197**	31,563	1,353
Later than five years	**10,733**	**8**	8,030	-
	59,368	**2,402**	52,213	2,878

(ii) At 31st March 2007, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases on land and buildings as follows:

	2007	2006
	US$'000	US$'000
Not later than one year	**1,820**	1,777
Later than one year and not later than five years	**1,759**	3,105
	3,579	4,882

FINAL DIVIDEND

The Board has resolved to recommend at the forthcoming Annual General Meeting to be held on 30th July 2007 payment of a final dividend of 8.5 HK cents equivalent to 1.09 US cents per share (2006: 8.5 HK cents or 1.09 US cents) payable on 3rd August 2007 to persons who are registered shareholders of the Company on 30th July 2007 making a total distribution of 13 HK cents equivalent to 1.67 US cents per share for the year ended 31st March 2007 (2006: 13 HK cents or 1.67 US cents).

CLOSING REGISTER OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed from Wednesday, 25th July 2007 to Monday, 30th July 2007, both dates inclusive, during which no transfer of shares will be registered.

In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (not the Registrar in Bermuda) for registration, not later than 4:30 p.m. on Tuesday, 24th July 2007.

CHAIRMAN'S STATEMENT

To Our Shareholders,

Johnson Electric recorded increased sales and earnings in the 2007 financial year in a difficult operating environment. Global component manufacturers like ourselves continue to be heavily impacted by high and volatile raw material prices, rising production costs in mainland China, and soft demand in many important end-customer markets – most notably in the North American and European automotive sectors.

Despite these strong headwinds, the Group continued to make positive progress in integrating and building upon the technology, talent and new customer channels that became part of the business as a result of the acquisitions of Saia-Burgess Electronics and Parlex Corporation.

Summary of 2006-07 Results

- For the financial year ended 31st March 2007, total sales were US$2,087 million – an increase of 37% compared to the 2006 financial year

- Operating profit after restructuring charges and provisions was US$164 million, an increase of 35%

- Net earnings attributable to shareholders increased by 17% to US$110 million or 2.99 US cents per share

- The Board has recommended a final dividend of 1.09 US cents per share, which together with the interim dividend of 0.58 US cents per share, represents a total dividend of 1.67 US cents per share

Sales Performance

The significant increase in sales was primarily due to the inclusion of a full year of sales contributions from Saia-Burgess Electronics and Parlex Corporation which were acquired in November 2005, compared to only five months in the previous year. Excluding the effect of adding those acquisitions and other recently consolidated businesses, including Ri Yong, Group sales grew by an underlying rate of approximately 5%.

The Automotive Products Group (APG), the largest operating division, generated sales of US$1,051 million – an increase of 35% over the prior year following the combining of Johnson Electric's original automotive motors business units with the automotive actuator, stepper motor, and other auto related products of Saia-Burgess. The division is competing in a market where many of its major OEM customers are experiencing severe financial pressure and overcapacity, although it did benefit from the strength of the Euro currency against the US Dollar during the year. So far, the structural problems facing the automotive industry, along with the nature of many long-term component supply agreements, have constrained the ability of the Group to pass on the full effects of higher raw material prices to our customers.

The Industry Products Group (IPG) recorded sales of US$722 million – a 20% increase compared to the prior year which was mostly due to the merging of the former Commercial Motors division of Johnson Electric with the Industry division of Saia-Burgess. Progress was made in achieving higher price realisation for selected motor products in this division, though competitive pressures in the more standardised segments of the market continued to be intense.

Other smaller businesses within the Group contributed a combined US$314 million to total sales. In part this reflected the full year contribution of Parlex Corporation, a flexible printed circuit board business that experienced growth in demand for its products at an annualized rate of approximately 9%, plus a full year contribution from the Controls business of Saia-Burgess. It also reflected strong growth in the Group's Trading business and the consolidation of sales of China Autoparts Inc., a small but fast growing PRC castings business that became a subsidiary in 2006.

Profit Improvements Constrained by High Input Costs and Restructuring Charges

As noted earlier, the profitability of the Group continues to be affected by high and volatile raw material costs – particularly copper, steel, and plastics which together represent the largest portion of the Group's materials purchases. In addition, the company has been bearing the negative financial effects of higher PRC labour rates and the strengthening of the Renminbi currency.

On the positive side, the company continues to make progress in improving its production efficiency through a variety of operational initiatives including in-sourcing the production of selected components and, compared to last year, lower average steel prices also have had a beneficial effect on the business.

Some business units have not been performing at the level expected and management is taking action to address the underlying performance issues. Parlex, for example, despite healthy top-line revenue growth has been behind plan on its restructuring and this has necessitated a strengthening in management controls and processes to ensure that it becomes a profitable contributor to the Group. Similarly, within the acquired Saia-Burgess group of businesses, the Switches operation is requiring focused attention to improve its manufacturing effectiveness and market positioning.

As part of the ongoing process to optimise the global manufacturing footprint of the enlarged business, Johnson Electric incurred total restructuring charges and provisions – including those relating to the shutdown of plants in Dalian, PRC and Cranston, USA – of slightly in excess of US$12 million, which compared to US$17 million in the prior year. The payback for these investments will be seen in the coming year.

The combination of the above factors resulted in the Group's operating profit margins being 8%, similar to last year.

Transformation towards Engineered Motion System Solutions

Twelve months ago, we were in the early stages of integrating two important acquisitions. A year on, I am pleased to report that Saia-Burgess and Parlex are clearly providing us with a set of capabilities and technology that is transforming and strengthening Johnson Electric's long-term prospects.

The Group is evolving from having a leading position in small DC motor products to having what is perhaps the broadest set of engineered motor and motion system *solutions* available in the market today – incorporating DC motors, stepper motors, actuators, solenoids, switches, precision gears, piezo ceramics and flexible printed interconnects. In fact, almost 30% of the combined sales of APG and IPG are already derived from products other than conventional electric motors.

The capability that we now have to develop customised solutions – involving motion sub-systems comprising several of the components that we design and manufacture ourselves – offers significant potential to add greater value to our customers and improve Johnson Electric's own economics over time.

In other respects, too, the business is being transformed. In the past, our operating model was geared to and built around a large-scale, low cost manufacturing platform in China and this remains a key source of advantage for Johnson Electric that we will continue to leverage and invest in. Increasingly though, the new global reach of the Group provides a closer day-to-day interface with the engineering and R&D teams of our key customers in Europe and North America which, in many segments, is an essential element in enabling us to develop innovative and *differentiated* solutions for our customers.

Naturally, this increased product scope and global reach of the enlarged Johnson Electric Group brings with it increased complexity and in consequence it is imperative that we organise and manage our business differently.

In the core operating divisions, management is being more systematic in defining where we wish to compete and in focusing resources on opportunities that offer the best potential for engineered solutions and higher price realisation. At the same time, in the corporate centre, we are strengthening financial planning and monitoring processes to improve the way in which we allocate capital across a more diverse portfolio of business activities. This means that business units not meeting target levels of performance will be subject to intensive scrutiny to determine whether the business can deliver the required returns within a reasonable period of time and whether there continues to be a logical and attractive fit for it within the Group.

Outlook

We are committed to transforming the Johnson Electric Group into a truly global business with market leading operating units producing the world's most innovative motion solutions. We are already a clear market leader in many of our largest market segments, our pipeline of innovative new products is healthy, and our ability to generate strong cash flows remains very sound indeed.

In the short-term, we anticipate aggregate organic revenue growth will remain in the range of 5 to 7 per cent per year. This reflects the impact from having a relatively large proportion of the Group's sales derived from certain segments of the automotive sector which are currently weak as well as our efforts to improve pricing to reflect increases in our cost base and our overall value proposition. We will continue to exit markets where price realisation reflects only the commoditisation of products and where profitability is therefore low. This overall growth also includes continuing success in our Trading business although margins there are, naturally, not comparable to the manufacturing segments.

On the cost side, there are no clear signs at present that the headwinds which have severely dampened Johnson Electric's financial performance in recent years are easing. Raw material prices remain at levels that are substantially above those experienced for much of the past two decades. In addition, operating costs in China continue to rise as a result of the appreciation of the Renminbi currency and upward pressure on wages and employee benefits. To help combat these pressures, we continue to seek new and innovative manufacturing practices by using techniques such as Gemba Kaizen to constantly increase output and improve productivity, and to lower our unit costs.

As a consequence, we currently anticipate that Group profits in 2007-2008 will be similar to this year, reflecting the revenue and cost dynamics referred to earlier and the fact that some of the top line growth will come from segments of the business which have inherently lower margins, such as our Trading business. This anticipated outcome remains contingent on unexpected changes in raw material costs.

Looking two to three years ahead, however, the transformation strategy we are currently pursuing will result in a stronger competitive position in areas where there is the greatest potential for growth, value-add, and improved profitability. With the talented team of people and new technologies that we have assembled over the past years I am confident that we are on a course which will result in a more sustainable and advantaged business over the longer term.

On behalf of the Board, I would like to thank all of our customers, shareholders, suppliers, and employees for their continued support.

FINANCIAL REVIEW

Overview

Total sales for the year were US$2,087 million, an increase of 37% over last year. This increase is primarily due to the inclusion of a full twelve months' sales of Saia-Burgess and Parlex which were acquired in November 2005, together with the consolidation of Shanghai Ri Yong in which the Group increased its shareholding in April 2006 to convert this former joint venture into a majority held subsidiary.

The Group reported profit attributable to equity holders of US$109.7 million, or 2.99 US cents per share for the year ended 31st March 2007, compared to profit attributable to equity holders of US$94.0 million or 2.56 US cents per share for last year. This represents an increase of 16.7%.

Cost of Sales and Gross Profit

The Group's gross profit was US$512.2 million, which at 24.5% of sales overall is in line with last year.

The profitability of the Group continued to be affected by relatively high and volatile raw material prices. The significant increase in copper prices throughout the year was only partially offset by decreased steel prices. Margins have also been reduced by increases in PRC labour rates and the strengthening of the Renminbi against the US dollar.

The adverse margin impacts noted above were largely offset by a strong Euro, relative to the US dollar, which benefited principally our European automotive business. We also saw some margin enhancement following operational initiatives such as in-sourcing the production of selected components and the moving of some production to our lower cost manufacturing centres in China and Eastern Europe.

Selling and Administrative Expenses (“SG&A”)

SG&A expenses increased 38.4% to US$348.0 million, which at 16.7% of overall sales is in line with last year. The SG&A included the full year consolidation for Saia-Burgess, Parlex and Shanghai Ri Yong. We have a number of initiatives underway to streamline processes and structures, especially in Europe, in order to progressively reduce the cost of SG&A.

Restructuring Costs

The Group recorded restructuring costs in the year which totaled US$12.2 million compared to US$17.2 million last year. These costs related to the shutdown of plants in Dalian and Guangzhou (PRC), Cranston (USA) and to the reorganization of certain manufacturing operations in Europe. The payback for these investments will contribute to improving margins next year, and beyond.

Earnings Before Interest and Tax (“EBIT”)

EBIT was US$164.1 million, an increase of US$42.6 million or 35.1% over last year. Excluding restructuring costs, EBIT was US$176.3 million, an increase of US$37.6 million or 27.1%. The Group EBIT (before restructuring costs) decreased from 9.1% as a percentage of sales last year to 8.4% this year, which reflects lower margins on acquired business, continuing pressures in material and labour costs, soft conditions in some of our markets and challenges with increasing prices.

Finance Costs

Interest expense for the year amounted to US$27.9 million compared to US$7.6 million last year. The increase is mainly due to the full year finance costs incurred on the bank loans to fund the acquisition of Saia-Burgess, Parlex and the Group’s operational requirements.

Income Tax Expenses

Taxes on profits increased 4.6% to US$22.9 million, compared to US$21.9 million last year. The effective tax rate (“ETR”) for the year was 16.9%, compared to 18.8% last year. Last year included a one off charge of US$2.6 million which had increased the effective tax rate by 2.2%, without which the rate would have been 16.6%. This year a release of tax provisions in Europe of US$4.9 million reduced the effective tax rate by 3.6%. Without this the rate would have been 20.5%. Excluding these two items, this represents an increase of 3.9% on last year. This is broadly in line with the Group’s expectation of the effect of including a full year’s tax charge for the Saia-Burgess businesses, which operate in countries with higher tax rates relative to the rest of the Group.

The increase in the underlying ETR from 16.6% to 20.5% results mainly from a change in the proportion of taxable profit which was earned in higher tax jurisdictions, with a greater share of profits now being earned in Europe.

Profit After Tax

Profit after taxation increased 19.7% to US$113.0 million.

FINANCIAL CONDITION

Operating Working Capital
(including Stocks and Work in Progress, Trade and Other Receivables, and Trade and Other Payables)

Operating Working Capital increased by US$35.5 million (9.4%) to US$412.0 million. Of that, US$14.8 million was due to the changes in exchange rates used in translation and an increase of US$7.1 million was due to the acquisition of Shanghai Ri Yong. An amount of US$6.6 million was recognised as a goodwill adjustment for the fair values of the operating working capital relating to business acquired in prior financial year. After adjusting for the impacts noted above, the underlying working capital increased by US$20.2 million, in line with the underlying rate of sales growth in the year (5.1%).

Cash and Borrowings

As at 31st March 2007, bank balances and cash were US$149.3 million, down US$89.2 million in the year as we used available cash to reduce our overall borrowing position.

As at 31st March 2007, cash balances held in US dollars were down by US$103.6 million at US$68.3 million, having used dollar balances to reduce short term borrowings. Other currencies increased by US$14.4 million to US$81.0 million. Of this, US$37.3 million is held in Euro and US$22.2 million in Renminbi. The spread of currencies in the Group is now more aligned to the Company's location of operations than last year. Of the total cash balances 45.7 % is in US dollars (compared to 72.1% last year), 25.0% is in Euro (compared to 14.4% last year), and 14.8% is being held in Renminbi (compared to 8.6% last year)
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At the balance sheet date, total borrowings amounted to US$573.5 million, a decrease of US$134.6 million from US$708.1 million last year. The Group has a five year loan of US$525.0 million which was originally drawn down in November 2005 for the acquisition of Saia-Burgess. This is repayable in full on the final maturity date of 31st March 2011, although earlier repayment is allowed without penalty.

Capital Structure and Liquidity

The Group's financial resources and liquidity remained healthy throughout the year. Net borrowings (total borrowings net of cash) at 31st March 2007 were US$424.2 million, down US$45.4 million as compared to US$469.6 million last year.

It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure over time. The Group gearing ratio (calculated on the total borrowings net of cash to the equity holders) was 45.1% as compared to 55.5% last year. The Group expects to lower its gearing ratio further in the coming year.

The Group's interest coverage ratio (profit before tax and interest expense divided by interest expense) is 6. Interest expense of US$27.9 million was incurred on the loans for the acquisition of Saia-Burgess and on borrowings to fund the Group's operational requirements.

For day-to-day liquidity management, and to maintain flexibility in funding, the Group also has access to significant unutilized short-term borrowing facilities provided by its relationship banks which amount to US$250 million.

Funding requirements for capital expenditures are expected to be met by internal cash flows and there are currently no plans to make any significant change in the rate of capital expenditures compared with recent years.

CORPORATE GOVERNANCE

Johnson Electric is committed to achieving high standards of corporate governance that properly protect and promote the interests of its shareholders and devotes considerable effort to identifying and formalising best practices of corporate governance.

The monitoring and assessment of certain governance matters are allocated to four committees: Audit Committee, Remuneration Committee, Nomination And Corporate Governance Committee and Board Committee which operate under defined terms of reference and are required to report to the full board on a regular basis.

Full details of the Corporate Governance Report are set out in the Annual Report 2007 of the Company.

Code on Corporate Governance Practices

During the year ended 31st March 2007, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), except for the following deviations:

Code Provision A.2.1

Code A.2.1 provides, inter alia, that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Neither the Company’s Bye-Laws nor The Johnson Electric Holdings Limited Company Act, 1988 (a private act of Bermuda) contains any requirement as to the separation of these roles.

Dr. Patrick Shui-Chung Wang is the Chairman and Chief Executive of the Company. The Board is of the opinion that it is appropriate and in the best interests of the Company at its present stage of development that Dr. Wang should hold both these offices. The Board believes that it is able effectively to monitor and assess management in a manner that properly protects and promotes the interests of shareholders.

Code Provision A.4.1 and A.4.2

Code A.4.1 provides, inter alia, that non-executive directors should be appointed for a specific term, subject to re-election.

Code A.4.2 also provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The independent non-executive directors were appointed for a specific term while the non-executive directors do not have a specific term of appointment. However, under Section 3(e) of The Johnson Electric Holdings Limited Company Act, 1988 and the Company’s Bye-Law 109(A), one-third of the directors who have served longest on the Board must retire thus becoming eligible for re-election at each Annual General Meeting. Accordingly, no director has a term of appointment longer than three years. Bye-Law 109(A) states that the executive chairman is not subject to retirement by rotation and shall not be counted in determining the number of directors to retire.

In the opinion of the Board, it is important for the stability and beneficial to the growth of the Company that there is, and is seen to be, continuity of leadership in the role of the Chairman of the Company and, in consequence, the Board is of the view that the Chairman should not be subject to retirement by rotation or hold office for a limited term at the present time.

Model Code for Securities Transactions

The Group has adopted procedures governing directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Specific confirmation has been obtained from all directors to confirm compliance with the Model Code throughout the year ended 31st March 2007. No incident of non-compliance was noted by the Company to date in 2006/07.

Employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with guidelines on no less exacting terms than the Model Code.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31st March 2007.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.johnsonelectric.com) and the Stock Exchange (www.hkex.com.hk). The Company's Annual Report 2007 will be despatched to the shareholders and available on the same websites on or about 29th June 2007.

BOARD OF DIRECTORS

As at the date of this announcement, the board of directors of the Company comprises Patrick Shui-Chung Wang, Winnie Wing-Yee Wang, Richard Li-Chung Wang, being the Executive Directors, and Yik-Chun Koo Wang, Peter Kin-Chung Wang, being the Non-Executive Directors, and Peter Stuart Allenby Edwards, Patrick Blackwell Paul, Michael John Enright, Laura May-Lung Cha and Oscar de Paula Bernardes Neto, being the Independent Non-Executive Directors.

On behalf of the board of directors
Patrick Shui-Chung Wang
Chairman and Chief Executive

Hong Kong, 8th June 2007

Website: www.johnsonelectric.com

"Please also refer to the published version of this announcement in SCMP."